

MINUTES  
OF THE  
INVESTMENT POLICY COMMITTEE  
HELD  
THURSDAY, JUNE 20, 2013 – 2:30 P.M.

Present: Committee Members

Roderick Bashir  
Devon Bruce  
Michele Bush

Board Members

Steven Powell

Staff

Andrew Armonaitis  
William Atwood  
Johara El-Harazin  
Tim Kominiarek  
Scott Richards  
Linsey Schoemehl  
Lorna Scott  
Alise White

Guests

Marquette Associates  
Brian Wrubel, Kellie Shrade, Dave Smith  
Franklin Park  
Brad Atkins  
Fiduciary Management Associates  
Leo Harmon, Eric Welt, Kathy Vorisek  
Janus Capital Management  
Steve Preikschat, Alex Roitz  
Valor Equity Partners III  
Antonio Gracias  
Credit Suisse  
David Dahill, Monica Dumas

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## **ROLL CALL**

The meeting was called to order at 2:30 p.m. The Secretary called the roll and noted that a quorum was present.

## **MINUTES OF PREVIOUS MEETING**

Ms. Bush moved to approve the minutes of the Investment Policy Committee meeting held March 21, 2013, in the form previously submitted. Mr. Bashir seconded and the motion passed unanimously.

## **PRIVATE EQUITY REPRESENTATIONS**

### Valor Equity Partners III (“Valor”)

Mr. Atkins, Franklin Park, referred Members to the Recommendation Report, previously distributed, and reviewed. (Official minutes contain attachment.)

Mr. Gracias, Valor, was invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review, Ms. Bush asked about the staff turnover at Valor; Mr. Gracias explained that the high turnover frequency was due to discontinued management as a result of change in the fund’s investment strategy going forward. Mr. Gracias further explained that staff, with the exception of his position as CEO/CIO, has adequate succession planning in place. Mr. Bashir asked why certain investors of Fund II have failed to re-invest in Fund III; Mr. Gracias explained that due to the change in the fund’s investment strategy going forward, certain investors were not asked to re-invest. Following further review and comments from Members, the Valor representative thanked the Members for their time and excused himself from the meeting. (Official minutes contain attachment.)

Mr. Bashir moved to recommend the Board approve the recommendation made by Franklin Park regarding the allocation of funds to the Valor Fund III. Ms. Bush seconded and the motion passed unanimously.

### Vista Foundation II (“Vista”)

Chairman Bruce inquired as to Vista’s absence at the meeting. Mr. Atkins explained that Fund II is currently over-subscribed; however, there may be an opportunity to invest later this year. As a result, Chairman Bruce agreed to call a special meeting of the Investment Policy Committee in order to facilitate a presentation by Vista, if needed.

## **SECURITIES LENDING PRESENTATION**

### Credit Suisse

Mr. Dahill and Ms. Damas, Credit Suisse, were invited to join the meeting and discuss securities lending as part of the Board’s annual fiduciary training. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the

Members, the Credit Suisse representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

#### ***INVESTMENT MANAGER PRESENTATIONS***

##### ***Fiduciary Management Associates (“FMA”)***

Messrs. Harmon and Welt and Ms. Vorisek, FMA, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the FMA representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

##### ***Janus Capital Management (“Janus”)- Deferred Compensation Investment Option***

Messrs. Preikschat and Roitz, Janus, were invited to join the meeting. Following introductions, written copies of the presentation were distributed. Following review and answering questions posed by the Members, the Janus representatives thanked the Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

#### ***ASSET ALLOCATION REVIEW***

Mr. Wrubel, Marquette, referred Members to the document, “ISBI Asset Allocation Recommendation June 2013” which was previously distributed and reviewed. Further, Mr. Marquette referred Members to the memorandum, “Asset Allocation Recommendation,” dated June 21, 2013 and reviewed. Following discussion, Ms. Bush moved to approve the recommendations set forth by Marquette and, in addition, issue an RFP for a core fixed income investment manager. Mr. Bashir seconded and the motion passed unanimously. (Official minutes contain attachment.)

#### ***STAFF PRESENTATION: INVESTMENT MANAGEMENT FEES***

Ms. Scott referred Members to the spread sheet, “Fee Comparison Analysis” which was previously distributed and reviewed. Ms. Scott indicated that as a result of the review, Herndon Capital Management has agreed to lower their investment management fees. (Official minutes contain attachment.)

#### ***UNFINISHED BUSINESS***

None.

#### ***NEW BUSINESS***

None.

#### ***NEXT MEETING AND ADJOURNMENT***

Chairman Bruce stated that the next meeting of the Investment Policy Committee would be scheduled on Thursday, September 26, 2013. At 5:15 p.m., there being no further business to

come before the Committee, Mr. Bashir moved to adjourn. Ms. Bush seconded and the meeting was adjourned.

Respectfully submitted,

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Devon Bruce, Chairman  
Investment Policy Committee

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Roderick Bashir, Vice Chairman  
Illinois State Board of Investment